

Message Text

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ORIGIN ARA-14

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EB/OT/GCP - J. SLATTERY
EB/TRP - M. WALL
STR - D. COOPER
COMMERCE - T. BREWER

-----113915 251516Z /53

R 251440Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY QUITO
INFO USMISSION GENEVA
AMCONSUL GUAYAQUIL

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E.O. 11652: N/A

TAGS: BEXP, ETRD, EINV, EPAP, EC

SUBJECT: ECUADOREAN COMMERCE MINISTER'S MEETINGS WITH STATE,
COMMERCE, AND THE SPECIAL TRADE REPRESENTATIVE

1. ON MAY 16, ECUADOREAN MINISTER OF INDUSTRY, COMMERCE,
AND INTEGRATION MONTANO, ACCOMPANIED BY AMBASSADOR YCAZA
AND MEMBERS OF THE ECUADOREAN ECONOMIC MISSION AND EMBASSY,
MET WITH THE FOLLOWING PEOPLE:

2. STATE/EB
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A. DEPUTY ASSISTANT SECRETARY BARRACLOUGH REVIEWED US
TRADE POLICY, EMPHASIZING THE IMPORTANCE OF A SUCCESSFUL
OUTCOME OF THE MULTILATERAL TRADE NEGOTIATIONS (MTN) TO
CONTAIN PROTECTIONIST PRESSURES AND TO IMPROVE ACCESS TO THE
U.S. AND OTHER MARKETS. HE NOTED THAT THE POLITICAL DECISIONS
CONCERNING THE MTN'S FINAL PACKAGE MUST BE TAKEN BY

JULY SO THAT THE ADMINISTRATION CAN MOVE QUICKLY WHEN THE NEW CONGRESS CONVENES NEXT JANUARY. HE ADDED THAT OUR OFFER TO ECUADOR IN THE MTN IS GENEROUS (E.G. WE ARE WILLING TO REDUCE OUR TARIFFS BY ABOUT 50 PERCENT ON MOST OF ECUADOR'S DUTIABLE INDUSTRIAL EXPORTS TO THE U.S., WHICH TOTAL ABOUT 3.5 MILLION RIGHT NOW). WE HOPE THE GOE--AND THE ANDEAN

GROUP AS A WHOLE-- WILL CONSIDER SERIOUSLY THE REQUESTS WE HAVE PRESENTED TO THEM FOR TRADE LIBERALIZATION ON THEIR PART. WE ARE NOT REPEAT NOT ASKING FOR FULL RECIPROCITY FROM DEVELOPING COUNTRIES BUT RATHER CONTRIBUTIONS CONSISTENT WITH THEIR DEVELOPMENT NEEDS. WE BELIEVE SUCH CONTRIBUTIONS WILL BOTH ENHANCE THEIR ECONOMIC GROWTH AND HELP US TO OBTAIN THE DOMESTIC POLITICAL SUPPORT NECESSARY TO IMPROVE ACCESS TO OUR MARKET FOR LDC PRODUCTS.

B. MONTANO THEN LISTED THE PROBLEMS THAT THE GOE WOULD LIKE TO RESOLVE:

(1) THE TRADE ACT'S OPEC EXCLUSION FROM GSP: MONTANO REVIEWED ECUADOR'S POSITION, NOTED THAT THE 16 CONGRESSMEN HE HAD MET THE PREVIOUS DAY SAID THAT CONGRESS WAS READY TO CORRECT THIS INEQUITY, AND EXPRESSED HOPE THE EXECUTIVE BRANCH WOULD PUSH THE ISSUE. BARRACLOUGH NOTED THAT THE EXECUTIVE BRANCH HAD ARGUED STRONGLY WITH CONGRESS DURING THE DRAFTING OF THE TRADE ACT REGARDING THIS LIMITED OFFICIAL USE

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PROVISION BUT HAD LOST. HE EXPRESSED HOPE THAT THERE WAS A NEW ATTITUDE ON THE HILL NOW. OUR ANALYSIS, HOWEVER, SHOWS THAT GSP IS NOT POPULAR IN THE CONGRESS, AND WE FEAR THAT AN EFFORT TO REVISE IT NOW MIGHT RESULT IN RESTRICTIVE AMENDMENTS, MAKING THIS THE WRONG TIME TO PUSH.

(2) REQUEST FOR TARIFF SCHEDULE RECLASSIFICATION OF XANTHOPHYLL CONCENTRATE: MONTANO LEFT A MEMORANDUM EXPLAINING THAT THE RECENT RECLASSIFICATION BY U.S. CUSTOMS OF THIS PRODUCT RESULTED IN AN INCREASED DUTY. BARRACLOUGH REPLIED THAT AN APPEAL PROCESS IS AVAILABLE. THE MEMORANDUM HAS BEEN FORWARDED TO THE DEPARTMENT OF THE TREASURY, SINCE THE BUREAU OF CUSTOMS HAS JURISDICTION.

(3) SUGAR: MONTANO STATED THAT THE ECUADOREAN SUGAR INDUSTRY WAS IN CRITICAL CONDITION BECAUSE INTERNAL PRODUCTION COSTS WERE 12 CENTS/POUND, BUT THE WORLD MARKET PRICE WAS ONLY 7 CENTS/POUND. HE VIEWED THE INTERNATIONAL SUGAR AGREEMENT (ISA) AS THE ONLY SOLUTION. BARRACLOUGH SAID THAT THE USG AGREED, AND WAS HOPEFUL THAT CONGRESS WOULD RATIFY THE ISA BY MID-JULY.

3. OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE
NEGOTIATIONS

A. MONTANO RAISED THE SAME PROBLEMS THAT HE RAISED AT
STATE.

B. AMBASSADOR WOLFF REPLIED THAT THE TIME MAY NOT BE

APPROPRIATE FOR THE ADMINISTRATION TO PUSH THE GSP ISSUE
BECAUSE GSP WAS NOT POPULAR IN CONGRESS, AND ENERGY LEGIS-
LATION WAS PENDING AS WELL. HE AGREED WITH MONTANO'S VIEW
ON SUGAR, AND SAID THAT CUSTOMS WOULD STUDY THE ISSUE OF
RECLASSIFICATION OF XANTHOPHYLL CONCENTRATE.

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C. WOLFF ALSO RAISED THE MTN, STATED THAT THEY OFFERED A
MAJOR OPPORTUNITY FOR TRADE LIBERALIZATION, THEN NOTED
THAT ECUADOR HAD NOT YET REPLIED TO THE USG'S REQUEST IN
GENEVA TO DISCUSS CERTAIN ITEMS. MONTANO KNEW NOTHING
ABOUT THE MATTER, SO YCAZA PROMISED A REPLY. WOLFF SAID
THAT A PROMPT REPLY WAS IMPORTANT BECAUSE POLITICAL
SUPPORT IN THE U.S. FOR GSP WOULD BE HELPED BY ECUADOREAN
TRADE LIBERALIZATION VIS-A-VIS THE U.S.

4. COMMERCE

A. MONTANO RAISED THE SAME PROBLEMS.

B. ACTING SECRETARY HASLAM REPLIED THAT IT WAS NOT THE
RIGHT TIME FOR THE ADMINISTRATION TO PUSH CONGRESS ON THE
GSP ISSUE, AND NOTED THAT THE VICE PRESIDENT HAD JUST TOLD
THE INDONESIANS THE SAME THING. MONTANO WAS ALSO TOLD
THAT THE USG WAS PUSHING CONGRESS TO IMPLEMENT THE ISA,
AND THAT CUSTOMS HAD JURISDICTION ON THE RECLASSIFICATION
ISSUE.

C. YCAZA THEN RAISED THE SUBJECT OF CREATING A MECHANISM
FOR GOE-USG DIRECT TRANSACTIONS INSTEAD OF OPEN BIDDING
IN ORDER TO SPEED UP THE PROCESS AND TO SHORTEN THE PERIOD
OF NEGOTIATION. HE SUGGESTED A GOE-USG BILATERAL
COMMISSION ON TRADE, SUCH AS EXISTS IN THE CASES OF BRAZIL
AND MEXICO. MONTANO ADDED THAT THE USSR HAD PROPOSED TO
ECUADOR A PROJECT SIMILAR TO THE ASWAN DAM IN EGYPT,
GOVERNMENT TO GOVERNMENT, BUT WITH SOME STRINGS ATTACHED
THAT DID NOT APPEAL TO ECUADOR. THE GOE, HOWEVER, IS
LOOKING FOR SOMETHING SIMILAR FROM THE USG.

D. HASLAM REPLIED THAT COMMERCE WOULD STUDY THE MATTER
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AND WOULD SUGGEST TWO OR THREE DIFFERENT WAYS TO SAVE TIME, SUCH AS THE CONSTRUCTION-MANAGER APPROACH, JOINT VENTURES, ETC. HE ADDED THAT THERE MIGHT BE A POTENTIAL PROBLEM IN SUCH AN APPROACH BECAUSE MOST U.S. COMPANIES ENTERING INTO SUCH AGREEMENTS WANTED INTERNATIONAL ARBITRATION OF ANY DISPUTES. MONTANO REPLIED THAT THE GOE WOULD BE HAPPY TO DISCUSS THAT POINT.

E. DEPUTY ASSISTANT SECRETARY MORAN OFFERED TRAINING TO THE GOE IN PROMOTING EXPORTS, WHICH MONTANO ACCEPTED, SAYING THAT THE ECUADOREAN EMBASSY WOULD FOLLOW UP WITH COMMERCE. COMMERCE, HOWEVER, IS PREPARING A LETTER TO MONTANO RECOMMENDING THAT THE GOE COORDINATE A TRAINING REQUEST WITH OUR EMBASSY IN QUITO. CHRISTOPHER

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